

Association EKO-SVEST Skopje

**Financial statements
Year ended December 31, 2016 and
Independent Auditor's report**

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INDEPENDENT AUDITOR'S REPORT

To the Management of the Association EKO-SVEST Skopje

We have audited the accompanying financial statements (page 3-16) of the Association EKO-SVEST Skopje (hereinafter: the Association) which comprise the statement of financial position as of December 31, 2016 and the income and expense statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations prevailing in the Republic of Macedonia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and the Audit Law of the Republic of Macedonia. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continues)

INDEPENDENT AUDITOR'S REPORT

**To the Management of the
Association EKO-SVEST Skopje
(CONTINUED)**

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association EKO-SVEST Skopje, as at December 31, 2016, and its financial performance for the year then ended in accordance with the accounting regulations prevailing in Republic of Macedonia, the Law on Accounting for non-profit organisations of Republic of Macedonia and the Rulebook for non-profit organisations.

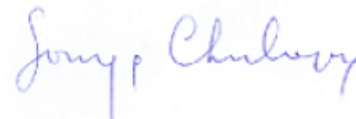
Emphasis of Matter

The Association keeps its record and prepares its financial statements based on the accounting base of modified occurrence of business changes and transactions, in accordance with the Law on Accounting for non-profit organisations of Republic of Macedonia ("Official Gazette of Republic of Macedonia" 24/03 with amendments up to 17/11) and the Rulebook for non-profit organisations ("Official Gazette of Republic of Macedonia" 42/03 with amendments up to 175/11.) According to the articles of this Law, the Association is obligated to prepare and submit basic financial statements, consisted of: Statement of the financial position, Income and expense statement and notes to the financial statements. According to this, the Association is not obligated to prepare Statement of cash flows.

TP REVIZIJA CULEVA Skopje
Sonia Culeva. Director



Sonia Culeva. *Certified Auditor*



Skopje, 11 April, 2017

INCOME AND EXPENSE STATEMENT
Year ended December 31, 2016
(In Denars)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Revenues			
Revenues from projects implementation, donations and membership	4;3.1	10,900,011	5,245,930
Financial revenue –net	5;3.2	14,495	5,446
Excess of revenues over expenses brought forward from previous year		<u>1,394,708</u>	<u>682,474</u>
		<u>12,309,214</u>	<u>5,933,850</u>
Expenses			
Operational expenses	6;3.1	(5,642,773)	(2,182,424)
Staff costs	7;3.1	(3,653,067)	(2,329,165)
Capital expenses	8;3.1	(50,179)	(27,553)
Financial expenses-net	5;3.2	<u>-</u>	<u>-</u>
		<u>(9,346,019)</u>	<u>(4,539,142)</u>
Excess of revenues over expenses for the year before income tax	12	<u>2,963,195</u>	<u>1,394,708</u>
Income tax	3.3	<u>-</u>	<u>-</u>
Excess of revenues over expenses for the year		<u>2,963,195</u>	<u>1,394,708</u>

The accompanying notes on the following pages are an integral part of these financial statements.

These financial statements were approved for issuing by the management of the Association as of February 28, 2017.

Executive director,
Ana Colovic-Lesoska



STATEMENT OF FINANCIAL POSITION
As of December 31, 2016
(In Denars)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Non-current assets			
Tangible assets-net	9;3.4	<u>85,620</u>	<u>160,882</u>
Current assets			
Cash and cash equivalents	10;3.5	2,963,195	1,394,708
Trade and other receivables	11	<u>153,500</u>	<u>-</u>
Total current assets		3,116,695	1,394,708
TOTAL ASSETS		<u>3,202,315</u>	<u>1,555,590</u>
FUNDS AND LIABILITES			
Funds			
Business fund	12	85,620	160,882
Excess of revenues over expenses	12	<u>2,963,195</u>	<u>1,394,708</u>
Total funds		3,048,815	1,555,590
Current liabilities			
Trade & other payables	13	<u>153,500</u>	<u>-</u>
Total current liabilities		153,500	-
TOTAL FUNDS AND LIABILITIES		<u>3,202,315</u>	<u>1,555,590</u>

*The accompanying notes on the following pages
are an integral part of these financial statements.*

Executive director,
Ana Colovic-Lesoska



NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

1. GENERAL INFORMATION

The Association Center for environmental research and information EKO-SVEST Skopje (the "Association ") was established as a non-profit organization, and is registered in the Central Register of Republic of Macedonia on September 9, 2002, under EMBS No: 5690552.

Address: Str. Kiril i Metodij 30/1-6, 1000 Skopje, Macedonia

Executive director: Ana Colovic-Lesoska

The mission of Association is to inform and promote alternatives to the negative environmental impacts, with a vision to become a professional organization involved in environment decision making process in Macedonia.

Main objectives and goals of the Association, among the others, are to initiate changes in the behavior, to monitor the implementation of the legislation, to lobby, to inform about environmental issues, to advocate, to promote avant-garde perspectives that lead to a sustainable development.

As of December 31, 2016, the Association had 5 employees.

1.2. PROJECTS

Following projects have been implemented during 2016 and 2015:

(1)Project- Activities of CEE Bankwatch Network

Activities of CEE Bankwatch Network, funded by the CEE Bankwatch Network via the DG Devco grant under the DEAR programme of the European Commission. These funds are mainly associated with the work of CEE Bankwatch Network project coordinator Ana Colovic-Lesoska, which entails coordination of a 3 year pan European project with 19 partners from EU.

(2)Project-Building partnerships for climate protection in Macedonia funded by the European Climate Foundation

The project-Building partnerships for climate protection in Macedonia builds a strong partnership among local communities, NGOs and institutions for a joint focus on protection of the climate by enabling sustainable and renewable energy solutions in Macedonia and discontinuation of harmful fossil fuel investment in the country.

(3)Project-Working together for the clear air funded by XminY foundation and the Embassy of the USA in Macedonia

The project-Working together for the clear air aimed at supporting local communities in voicing their concerns about air pollution in Skopje by providing them with mechanism, training and materials for actions, petitions and complaints towards the institutions. Additionally, the project aims to work with institutions and develop plans for air quality measures to be undertaken at central and local level in order to address air pollution in urban areas.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

1.2. PROJECTS (Continued)

(4)Project-Save the blue heart of Europe founded by EURONATUR

The project-Save the blue heart of Europe, is aimed at protecting Mavrovo national park from the planned hydropower plant development. It entails international and national awareness raising about the impact of the planned projects on the national park, its species and habitats. The project is implemented by a partnership between the Eko-svest, Association, Front 21/24 and Macedonian Ecological Society with international NGOs such as Riverwatch and Euronatur. The funds from Euronatur originate from Mava foundation.

(5) Project-Coordination body between CSOs and the Government of Macedonia, supported by GEF Small Grants Programme in Macedonia

This project is a continuation of the efforts of environmental CSOs to establish a mechanism for the structural coordination and collaboration with various sectors within the Ministry of environment. The project aims to use Ekosfera.mk portal for the communication and coordination and to train, coach and improve the capacities of environmental CSOs in Macedonia and to ultimately joint their efforts in their deliberations for healthy environment. The project started at the very end of 2016.

(6)Project SEE SEP funded by EC

The SEE SEP project (South East European Sustainable Energy Policy) is implemented regionally and run by the SEE Change Net organization from Bosnia and Herzegovina and partner organizations from the Balkan area. Eko-Svest is a partner organization.

One of the main outputs of this project was the creation of the My 2050 Calculator, an energy calculator which is a web based tool for energy modeling, to be used by institutions, governments, but also citizens in order to raise awareness about the climate impacts of energy infrastructure.

The funds of the project come from European Commission.

(7)Project ETNAR funded by the EC

The ETNAR project (Advocacy CSs networks for sustainable use of energy and natural resources in the Western Balkan and Turkey) is implemented regionally and led by Zelena Akcija from Croatia, with partner organizations from Balkan and Turkey. Eko-svest is a partner organization in this project. The main focus of the project is to raise capacities of Western Balkan NGOs and implement awareness raising campaigns on climate and nature protection.

The funds for the project come from the European Commission. The project is planned to continue in the next 3 years, if fundraising is successful.

(8)Project City Tree in Macedonia, supported by private companies and the Embassy of Germany in Macedonia

This project has the aim to raise awareness about the impacts of climate change and air pollution and to install 2 CityTree installations in Skopje and Tetovo. The City Tree installations have been patented in Germany and are based on internet technology and the purification capacity of plants, such as mosses. The project is also supported by individual donations from private companies in Macedonia: German Embassy in Macedonia, Vezeshari, Diamed, DHL, Ekolog, EDS, Knauf, ProCreditBank and Pakomak. In 2016, the order for the two installations was made, purchasing the installations, and the actual placement of the CityTrees in Skopje and Tetovo was scheduled for early 2017.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

1.2. PROJECTS (Continued)

(9) Project Protection of Galicica NP by promotion sustainable development supported by Heinrich Boell Stiftung

This project aims at raising the awareness of local population in the Ohrid region about the values of Galicica National Park and Ohrid lake and the need for their protection. It comes as a response to the plans for massive infrastructure developments in the region. The project activities stirred discussions among experts, local communities, touristic operators and other stakeholders.

(10) Project IPA2CSO, supported by the Delegation of the European Union in Macedonia

The aim of the project implemented in partnership together with Eurothink, Zenith Association and Reactor is to strengthen the established network of CSOs- the IPA mechanism in order to enable a structured dialogue with the Government of Macedonia for meaningful IPA funds programming.

The network of CSOs has grown to approximately 250 members in 2016.

(11) Project Strengthening civil society to advocate for sustainable energy transition, supported by CISU

This project is implemented in partnership with Inforce- the international network of CSOs working on sustainable energy issues. The aim of the project also implemented in Serbia, Ukraine and Moldova is to develop alternative energy development scenarios based on renewable energy and energy efficiency to help drive economies towards climate friendly developments.

(12) Evaluation of SLED project, in cooperation with Central and Easter European University Budapest, supported by REC (Regional Environmental Center Budapest)

This activity is associated with our work on the evaluation of a REC funded project, together with the team of the CEU in Budapest. The project evaluated was SLED- Supporting Low Emissions Development in the Balkan region which was implemented by REC office in Budapest. Eko-vest's task in this project was conducting 20 interviews with officials, NGOs, businesses and other stakeholders from 4 countries and providing expertise in the preparation of the evaluation report for this project.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

The financial statements of the Association have been prepared in accordance with the Law on Accounting for Non – profit Organizations of the Republic of Macedonia in order to provide true and fair presentation of the balance sheet positions, balance of assets, liabilities, sources of assets, income and expenses and the operating results.

The financial statements of Association have been prepared in accordance with the legal regulations accepted in the Republic of Macedonia in relation to the work of the non-profit organizations, the Law on Accounting for Non-profit Organizations of the Republic of Macedonia (“Official Gazette of Republic of Macedonia” 24/03 with amendments up to 17/11) and the Rulebook for non-profit organizations (“Official Gazette of Republic of Macedonia” 42/03 with amendments up to 175/11.)

The Association’s financial statements are presented in Macedonian Denars (“MKD”). All amounts in the financial statements and related notes are presented in Denars, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the financial statements are presented further in this report. The Association is requested to apply the accounting policies consistently.

3.1 Recognition of income and expenses

The recognition of the income and expenses is in accordance with article 13 from the Law on Accounting for Non-profit Organizations (“Official gazette of Republic of Macedonia” no.24/03, 80/05, 17/11) and article 18 from the Rulebook for Non-profit Organizations (“Official gazette of Republic of Macedonia” no.42/03, 11/09, 11/06, 08/09, 175/11), i.e. according the accounting base of modified occurrence of business changes and transactions.

According the accounting base for modified occurrence of business changes and transactions, the revenues are recognized in the accounting period in which have occurred according the criteria of measurability and availability. Revenues are earned when are generated in the accounting period or 30 days after the end of the accounting period, with condition they are related to the accounting period and are used to cover the liabilities related to that accounting period.

According the accounting base for modified occurrence of business changes and transactions, expenses are recognized in the accounting period in which have occurred or paid within 30 days after the end of the accounting period only if the obligation for payment has occurred in that accounting period. Expenses for used short term assets are recognized at the moment and in the amount of the actual cost incurred.

3.2 Foreign Exchange Transaction

Transactions denominated in foreign currencies have been translated into Denars at the rates set by the National Bank of Republic of Macedonia applicable at the date of each transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the end of the reporting period using official rates of exchange ruling on that date.

Net foreign exchange gains or losses resulting from foreign currency translation are included in income and expense statement in the period in which they arise.

3.3 Taxation

According to the Law on Corporate Income Tax, non-profit organizations are exempt from paying income tax on the revenues generated from membership fees, sponsorships and donations that are collected and allocated for a intended purposes and are not intended for business purposes.

Current income tax is paid to non deductible expenses. The income tax rate for 2016 is 10% (2015: 10%.)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**3.4 Tangible assets**

Tangible assets of the Association comprises of office equipment and furniture. They are recorded at cost value. The cost value of the tangible assets comprises the purchase price plus import duties, value added tax, cost of transportation and all other expenses directly attributable to the cost value i.e. to the purchase cost. The value of purchased assets is presented as expense at the time of purchase with increasing the business fund of the Association.

Tangible are depreciated on a straight-line basis so that the cost or revaluation value of the fixed assets is depreciated in equal annual amounts over their estimated useful lives.

The depreciation charge for the year is recorded on the business fund accounts.

The annual depreciation rates applied are the following:

Office equipment	10%-20%
Furniture	16%

3.5 Cash and cash equivalents

Cash and cash equivalents comprise from cash in hand and cash on bank accounts in commercial banks.

Cash in hand and cash on bank accounts in Macedonian denars are recorded at their nominal value, and cash in foreign currencies are translated according to the foreign exchange rate of the Central Bank of Republic of Macedonia on the reporting date.

3.6 Trade payables and other liabilities

Trade payables and other liabilities are stated at fair value on initial recognition and subsequently measured at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

**4. REVENUES FOR PROJECTS IMPLEMENTATION,
DONATIONS & MEMBERSHIP**

	In Denars	
	Year Ended	
	December 31,	
	2016	2015
Projects		
-SEE SEP	669,423	996,113
-CEE Bankwatch Network	1,754,834	1,518,988
-EVALUATE	310,256	291,315
-Protection of Galicica NP by promotion sustainable development supported by Heinrich Boell Stiftung	396,496	-
-Building partnerships for climate protection in Macedonia funded by the European Climate Foundation	1,907,271	338,232
-Strengthening civil society to advocate for sustainable energy transition, supported by CISU	97,619	-
-Working together for clean air funded by XminY foundation and US Embassy in Macedonia	818,754	120,304
City tree in Macedonia		
- German Embassy in Macedonia	772,017	-
- Veze Shari	307,500	-
- EDS DOO	370,169	-
- Ekolog	322,875	-
- Pakomak	615,755	-
- Pro-Kredit Bank AD Skopje	307,476	-
- Spec.hospital Diamed	307,450	-
- Knauff	246,000	-
-IPA2CSO supported by the Delegation of the European Union in Macedonia	939,806	-
-Evaluation of SLED Project	112,167	-
-ETNAR funded by the EC	448,952	1,594,274
-Save the blue heart of Europe funded by EURONATUR	192,191	194,736
-GGAN Project ,subranted by Metamorfozis,funded by EC		
Verification of Europe Mechanism	-	129,618
-Ekosfera environmental platform	-	47,850
	10,897,011	5,231,430
Membership	3,000	8,500
Donations		
-Ekosfera	-	6,000
	10,900,011	5,245,930

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

5. FINANCIAL GAIN / (LOSS) -NET

	In Denars	
	Year Ended	
	December 31,	
	2016	2015
FOREX loss	(1,562)	-
FOREX gain	15,798	5,144
Interest income	259	302
Interest loss	-	-
	14,495	5,446

6. OPERATIONAL EXPENSES

	In Denars	
	Year Ended	
	December 31,	
	2016	2015
Office materials consumed	9,190	8,597
Energy & communal expenses	32,874	30,846
Renting	163,244	141,300
Post, telephones, internet	77,343	73,580
Transfer to other NGO	-	939,729
Accounting	51,000	48,000
Bank charges	56,899	30,989
Intellectual services	3,893,417	279,158
Other miscallenous	1,358,806	630,225
	5,642,773	2,182,424

7. STAFF COSTS

	In Denars	
	Year Ended	
	December 31,	
	2016	2015
Gross salaries for employees	3,468,230	2,290,945
Allowances	52,656	38,220
Per diem	132,181	-
	3,653,067	2,329,165

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

8. CAPITAL EXPENSES

	In Denars	
	Year Ended	
	December 31,	
	2016	2015
Civil construction work	-	-
Equipment & furniture	50,179	27,553
	50,179	27,553

9. TANGIBLE ASSETS-NET (2016/2015)

Cost	Tangible assets	Construction in progress (CIP)	TOTAL
As of			
1 January 2016	855,297	-	855,297
Additions	50,179	-	50,179
Write off	(547,000)	-	(547,000)
Transfer	-	-	-
	358,476	-	358,476
As of			
31 December 2016	358,476	-	358,476
Accumulated depreciation			
As of			
1 January 2016	(694,415)	-	(694,415)
Charge for the year	(125,441)	-	(125,441)
Write off	547,000	-	547,000
Transfer	-	-	-
	(272,856)	-	(272,856)
As of			
31 December 2016	(272,856)	-	(272,856)
Carrying amount			
At			
31 December 2016	85,620	-	85,620
Carrying amount			
At			
31 December 2015	160,882	-	160,882

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

10. CASH AND CASH EQUIVALENTS

	In Denars	
	Year Ended	
	December 31,	
	2016	2015
Cash in banks -Denars	2,178,149	1,188,082
Cash in hand -Denars	9,421	4,341
Cash in hand-foreign currency	775,625	202,285
	<u>2,963,195</u>	<u>1,394,708</u>

11. TRADE AND OTHER RECEIVABLES

	In Denars	
	Year Ended	
	December 31,	
	2016	2015
Trade receivables-local	-	-
Short-term borrowing (EKO to ETNAR)	153,500	-
Personal tax overpaid	-	-
	<u>153,500</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

**12. BUSINESS FUND & EXCESS OF REVENUES
OVER EXPENSES**

	<u>Business Fund</u>	<u>Excess of revenues over expenses</u>	<u>TOTAL</u>
As of January 1,2015	230,306	682,474	912,780
Net effect of changes in business fund & excess of revenues over expenses	<u>(69,424)</u>	<u>712,234</u>	<u>642,810</u>
As of December 31, 2015	<u>160,882</u>	<u>1,394,708</u>	<u>1,555,590</u>
As of January 1,2016	160,882	1,394,708	1,555,590
Net effect of changes in business fund & excess of revenues over expenses	<u>(75,262)</u>	<u>1,568,487</u>	<u>1,493,225</u>
As of December 31, 2016	<u>85,620</u>	<u>2,963,195</u>	<u>3,048,815</u>

13. TRADE AND OTHER PAYABLES

	<u>In Denars</u>	
	<u>Year Ended</u>	
	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Trade payables	153,500	-
Advances payable	-	-
Accrued expenses	-	-
	<u>153,500</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016**14. FOREIGN EXCHANGE RATES**

The official foreign exchange rate of significant currency used for transaction disclosure of items denominated in foreign currencies on December 31, 2016 and 2015 are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
EUR	61,4812	61,5947
USD	58,3258	56,3744